

**Lubbock Reese  
Redevelopment Authority**

**BASIC FINANCIAL STATEMENTS**

**September 30, 2017**



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRICpa.com](http://CRICpa.com)

THIS PAGE INTENTIONALLY LEFT BLANK



**Lubbock Reese Redevelopment Authority**  
**Table of Contents**  
**September 30, 2017**

**REPORT**

Independent Auditors' Report 1

Management's Discussion and Analysis 4

**FINANCIAL STATEMENTS**

Statement of Net Position - Proprietary Fund 19

Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund 21

Statement of Cash Flows - Proprietary Fund 23

Notes to Financial Statements 25

**REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Changes in the Authority's Net Pension Asset and Related Ratios 43

Schedule of Authority's Contributions 44

**SUPPLEMENTARY INFORMATION**

Combining Statement of Net Position - Campus Operations 47

Combining Statement of Revenues, Expenses, and Changes in  
Net Position - Campus Operations 49

Combining Statement of Cash Flows - Campus Operations 51

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Lubbock Reese Redevelopment Authority  
Lubbock, Texas

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the business-type activities of Lubbock Reese Redevelopment Authority (the "Authority"), a political subdivision of the State of Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Lubbock Reese Redevelopment Authority, as of September 30, 2017, and the changes in its financial position, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 17 and the Schedule of Changes in the Authority's Net Pension Asset and Related Ratios, Schedule of Authority's Contributions, and notes to the required supplementary information on pages 43 and 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

(continued)

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Carr, Riggs & Ingram, L.L.C*

Carr, Riggs & Ingram, LLC  
Lubbock, Texas  
March 22, 2018

## **Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017**

This section of Lubbock Reese Redevelopment Authority's annual financial report presents management's discussion and analysis of Lubbock Reese Redevelopment Authority's financial performance during the fiscal year that ended September 30, 2017. Please read it in conjunction with Lubbock Reese Redevelopment Authority's financial statements which follow this section.

### **OVERVIEW OF THE ORGANIZATION**

As described in Footnote 1 to these financial statements, the Lubbock Reese Redevelopment Authority's (the Authority) purpose is to transition the properties of the former Reese Air Force Base in Lubbock, Texas following its closure in September 1997. The Authority operates under a d/b/a known as Reese Technology Center. With the assistance of federal, state, and local grants and development programs, the Authority's goal is to transfer such land and property into a business campus with a technology, research, engineering, education, and manufacturing theme. This task involves acquiring, repairing, or improving, managing and marketing the available facilities as well as replacing the jobs that were lost when the base was closed. The nature of the operations of the Authority will change over time as the organization reaches its intended goal. Upon successful completion of its task, the Authority will likely emerge as a property management, marketing, and/or development entity. At that point in time, the entity will transition from a governmental entity into another form, either for-profit or not-for-profit in nature, depending on projected future activities of the organization.

Therefore, it is important to note that items comprising operations of the Authority would not be considered operating in nature to other governmental organizations. For example, property sales and lease income will be the typical operating activities of the Authority; however, these activities are not usually found in other governmental entities. In addition, typical revenues of traditional governmental entities, such as taxes, are not available to the Authority.

### **FINANCIAL HIGHLIGHTS**

- Total assets increased approximately \$602,505. This 6.0% increase is largely the result of a 25% increase in cash.
- During the year ended September 30, 2017, Operating Revenue earned in the General Fund was \$2,911,358 and Operating Expenses were \$2,334,291 resulting in an operating income of \$577,067. In the same period, Operating Revenue earned in the Fiber Optic Fund was \$240,275 while Operating Expenses totaled \$295,006 for a net decrease of \$54,731. The result was an operating income of \$522,336 for the Authority.
- The Authority's Current Liabilities include unpaid invoices, accrued wages and related liabilities, and unearned revenues. Long Term Liabilities are primarily related to a Lease Payable to First Bank & Trust Corporation for a portion of the Heating Ventilating & Cooling System purchased and installed in 2013 and a generator leased from South Plains Electric Co-op. Total liabilities of the Authority increased \$12,974 or 2.2%. This is primarily due from an increase in Accounts Payable and Unearned Revenues.
- Operating Revenues increased approximately \$624,573. This 24.7% increase was due primarily to an increase in Lease Revenues and Contract Services.
- Operating Expenses remained stable with an increase of \$46,633 or 1.8%.

# Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), *basic financial statements*, and *supplementary schedules*.

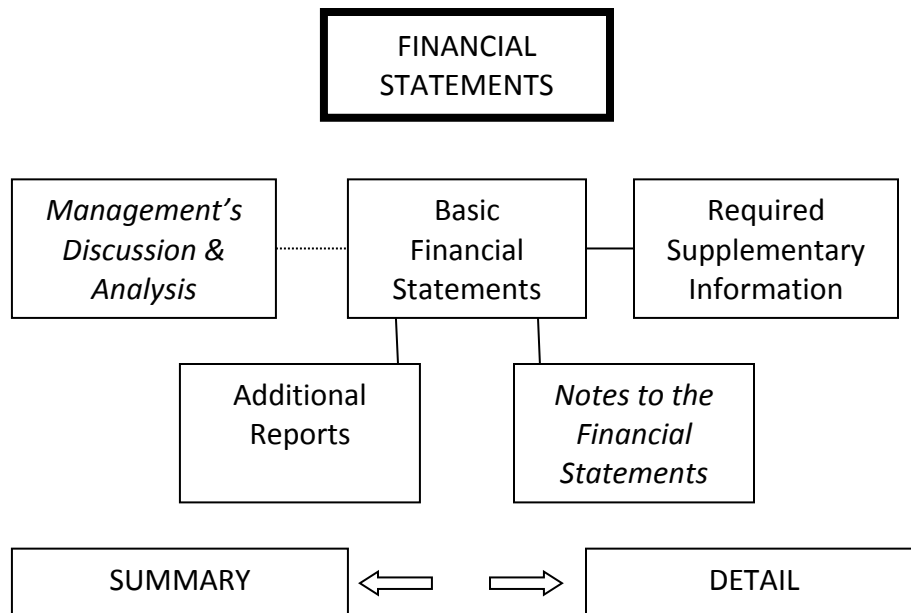
The Authority's financial statements are presented in the form of *proprietary fund* statements. This presentation offers *short* and *long term* financial information about the activities that show the Authority operates like a business. A brief description of the existing proprietary fund is as follows:

*Campus Operations* – This fund accounts for the basic operating activities of the organization. Typical activities include leasing activities, property sales, administration, daily operations, upkeep and maintenance, and tenant oversight.

*Fiber Optic/Data Center Operations* – This fund accounts for the basic operating activities of the data center and the fiber optic network. Typical activities include leasing activities, daily operating activities, repairs and maintenance, and tenant oversight.

The financial statements also include *notes* that explain portions of the financial statements and provide more detailed data. The statements are followed by a section of *supplementary schedules* that further explains and supports the information in the financial statements. Figure A-1, shows how the required parts of this annual report are arranged and relate to one another. Due to the nature of the entity and its financial reports, the Authority has no components of *required supplementary information*, other than management's discussion and analysis, included in these financial statements.

**Figure A-1  
Parts of an Annual Report**





**Lubbock Reese Redevelopment Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017**

**FINANCIAL ANALYSIS OF LUBBOCK REESE REDEVELOPMENT AUTHORITY**

**Net Position** - The Authority's Total Net Position increased by \$540,801 between fiscal years ended September 30, 2017 and September 30, 2016. Table A-1, below indicates the investment in Net Position for the Fiscal Years Ended September 30, 2017 and September 30, 2016

**Table A-1  
Lubbock Reese Redevelopment Authority's Net Position**

	F/Y/E 2016	F/Y/E 2017	Percent Change
Current & Other Assets	\$ 2,776,597	\$ 3,469,742	25.0%
Net Capital Assets	7,190,881	\$7,118,634	-1.0%
<b>Total Assets</b>	<b>9,967,478</b>	<b>10,588,376</b>	<b>6.2%</b>
Pension related items	83,015	64,622	-22.2%
<b>Total Deferred Outflows</b>	<b>83,015</b>	<b>64,622</b>	<b>-22.2%</b>
<b>Total Assets &amp; Deferred Outflows</b>	<b>\$ 10,050,493</b>	<b>\$ 10,652,998</b>	<b>6.0%</b>
Current Liabilities	\$ 471,717	\$ 535,400	13.5%
Long Term Liabilities	108,137	57,428	-46.9%
<b>Total Liabilities</b>	<b>579,854</b>	<b>592,828</b>	<b>2.2%</b>
Pension related items	763	5,256	588.9%
<b>Total Deferred Inflows</b>	<b>763</b>	<b>5,256</b>	<b>588.9%</b>
Net Investment in capital debt	7,008,633	7,010,000	0.0%
Unrestricted	2,461,243	3,044,914	23.7%
<b>Total Net Position</b>	<b>9,514,113</b>	<b>10,054,914</b>	<b>5.7%</b>
<b>Total Liabilities, Deferred Inflows &amp; Net Position</b>	<b>\$ 10,094,730</b>	<b>\$ 10,652,998</b>	<b>5.5%</b>

**Lubbock Reese Redevelopment Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017**

**FINANCIAL ANALYSIS OF LUBBOCK REESE REDEVELOPMENT AUTHORITY (Continued)**

Table A-2, below, shows the relationship between Revenue, Operating Expenses, Non-Operating Revenue, and the Changes to Net Position. As stated above, Net Position increased by \$540,801 for the year ended September 30, 2017.

**Table A-2  
Lubbock Reese Redevelopment Authority's Changes to Net Position**

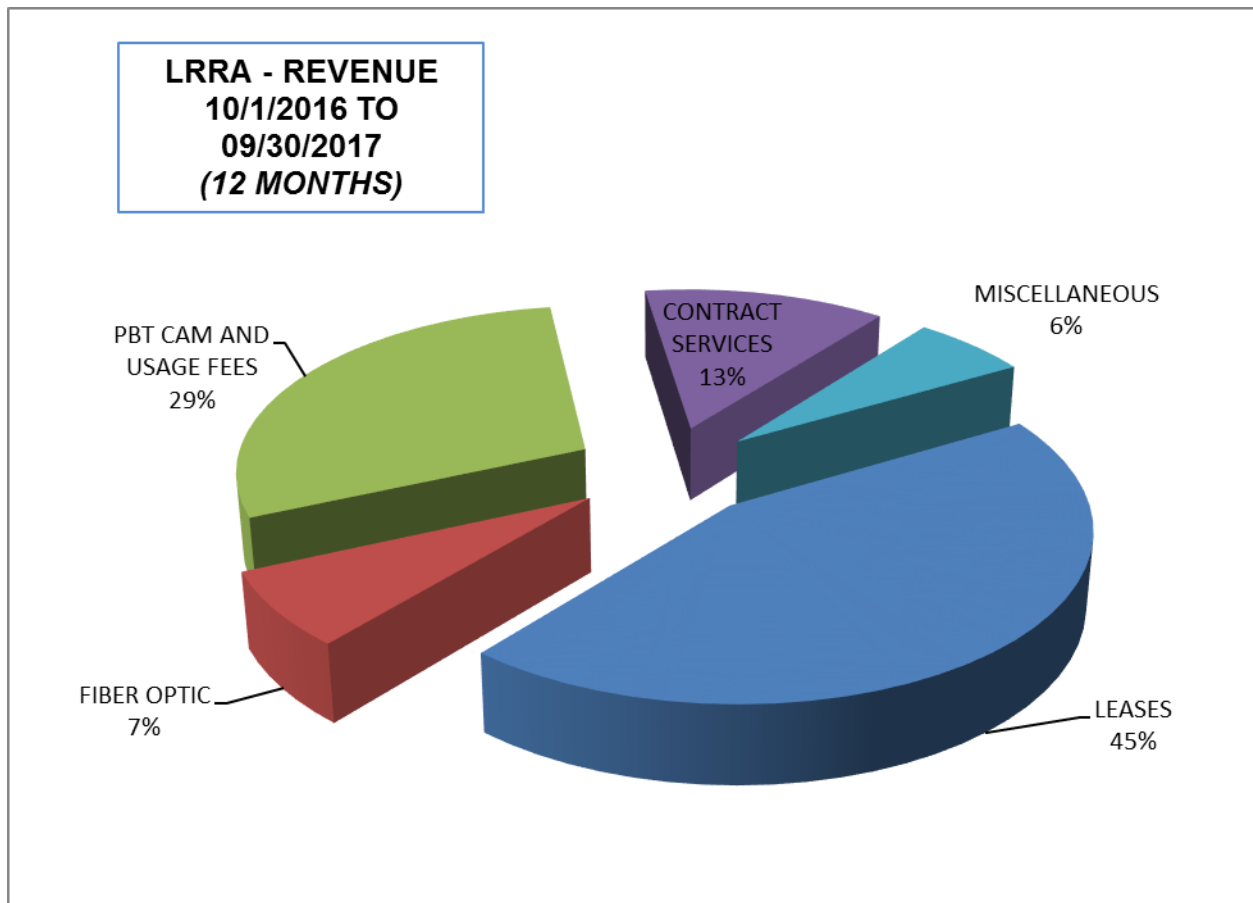
	F/Y/E 2016	F/Y/E 2017	Percent Change
<b>Operating Revenues</b>			
Leases	\$ 1,425,791	\$ 1,628,109	14.2%
PBT Cam Fees & Usage Fees	886,846	927,032	4.5%
Contract Services	192,074	402,637	109.6%
Insurance Claims	-	160,528	100.0%
Other Revenues	22,349	33,327	49.1%
<b>Total Operating Revenues</b>	<b>2,527,060</b>	<b>3,151,633</b>	<b>24.7%</b>
<b>Operating Expenses</b>			
Salaries, Benefits & Taxes	708,059	661,260	-6.6%
Contract Services	483,221	292,411	-39.5%
Depreciation	551,647	568,575	3.1%
Telephone & Utilities	342,571	330,952	-3.4%
Repairs & Maintenance	107,178	357,421	233.5%
Professional Services - Legal/Acct/Engr	110,073	94,027	-14.6%
Other Expenses	279,915	324,651	16.0%
<b>Total Operating Expenses</b>	<b>2,582,664</b>	<b>2,629,297</b>	<b>1.8%</b>
<b>Non-Operating Revenues</b>			
Investment Income	13,411	18,465	37.7%
<b>Total Non-Operating Revenues</b>	<b>13,411</b>	<b>18,465</b>	<b>37.7%</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (42,193)</b>	<b>\$ 540,801</b>	<b>1381.7%</b>

# Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017

## FINANCIAL ANALYSIS OF LUBBOCK REESE REDEVELOPMENT AUTHORITY (Continued)

**Total Revenue** – Figure A-2, below, gives a graphic presentation of the various components of the Authority's annual Total Operating Revenue. The long-term goal is to increase lease revenue through new tenants and modernization of the buildings and facilities. Generally, cost of improvements to existing buildings are made at the time of new lease initialization and included in the lease rate calculation. There were no sales of physical assets in the year ended September 30, 2017.

Figure A-2

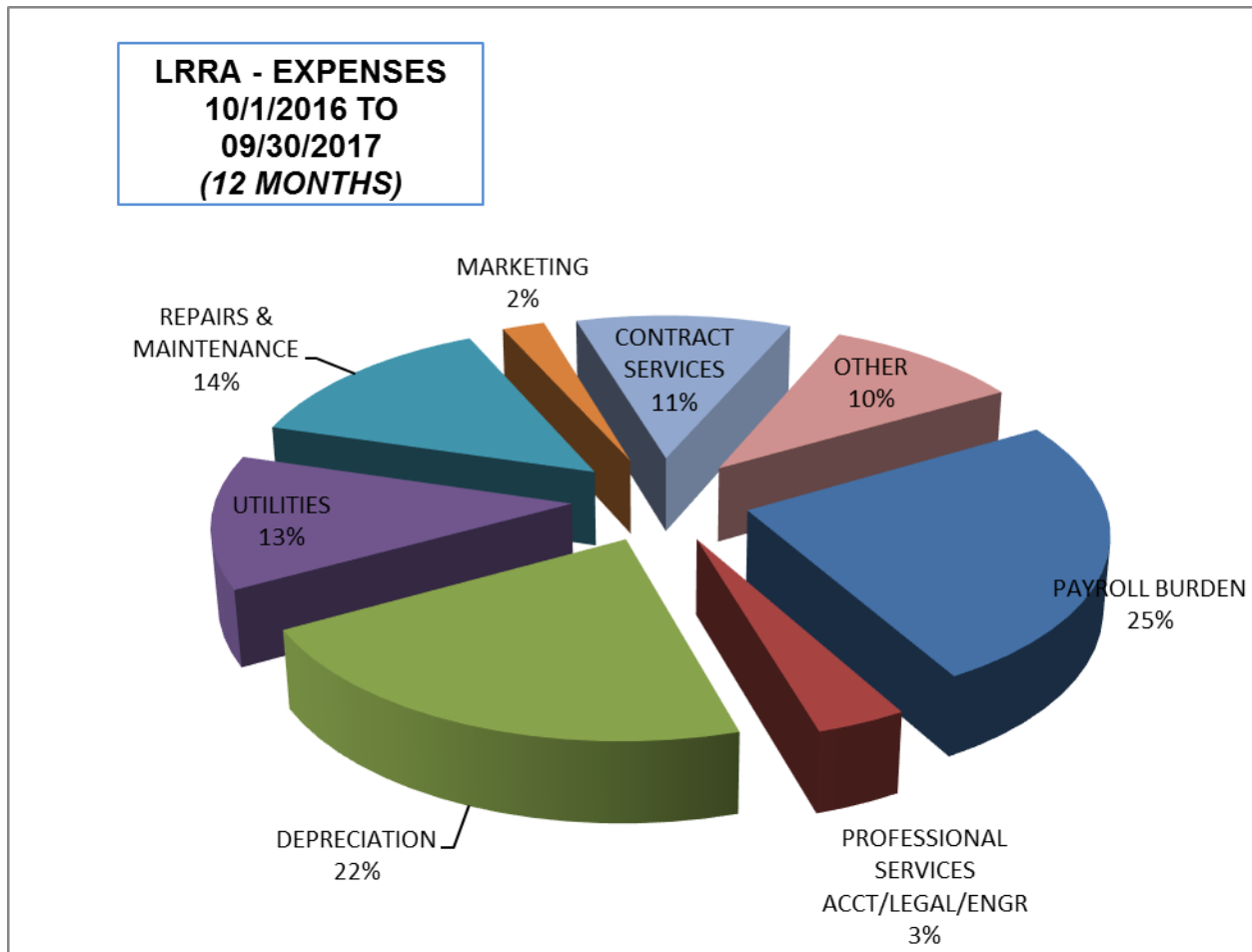


# Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017

## FINANCIAL ANALYSIS OF LUBBOCK REESE REDEVELOPMENT AUTHORITY (Continued)

**Operating Expenses** – Figure A-3, below, breaks down the major components of the Authority's annual Operating Expenses for fiscal year ended September 30, 2017. Note that the Payroll Burden, generally an organizations largest expense, comprises only 25% of total expenses. Management continues their efforts to maximize efficiencies and therefore manage the payroll expense effectively.

Figure A-3



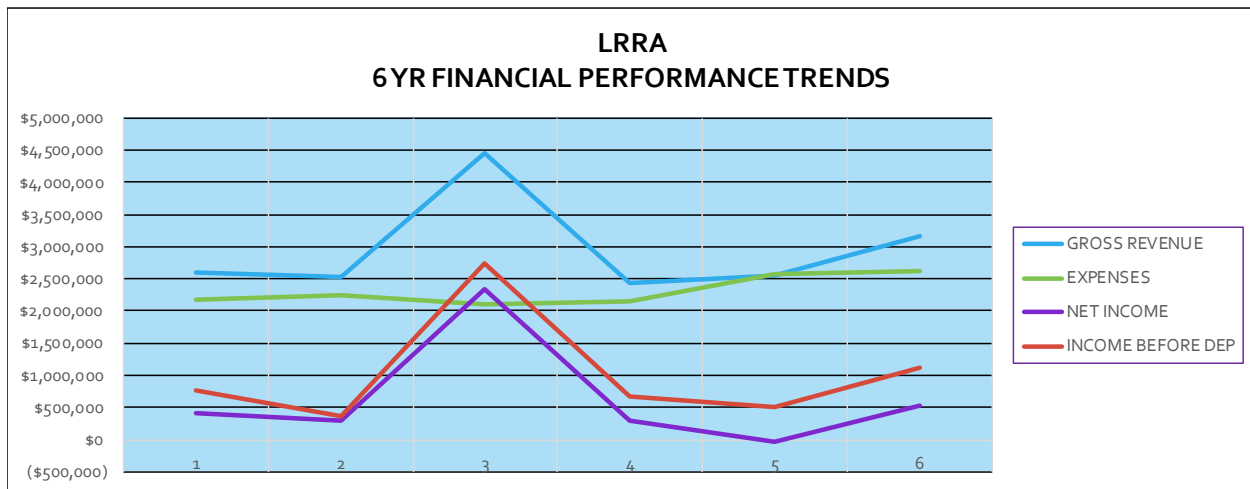
## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017

### 6 YEAR FINANCIAL PERFORMANCE TRENDS ANALYSIS

Figure A-4, below, shows six years trending data for Gross Revenues, Expenses, Net Income, and Income Before Depreciation. This chart is provided to reflect the progress achieved by the Authority to successfully redevelop this property. The significant increase in revenues in 2014 is a result of grant monies received from the U.S. Department of Commerce, Economic Development Administration for capital projects.

Figure A-4

FISCAL YEARS ENDING SEPTEMBER 30						
DESCRIPTION	2012	2013	2014	2015	2016	2017
GROSS REVENUE	\$2,591,734	\$2,523,131	\$4,447,085	\$2,427,543	\$2,540,471	\$3,170,098
EXPENSES	\$2,179,487	\$2,233,457	\$2,106,675	\$2,141,297	\$2,582,664	\$2,629,297
NET INCOME	\$412,247	\$289,674	\$2,340,410	\$286,246	(\$42,193)	\$540,801
INCOME BEFORE DEP	\$758,612	\$363,021	\$2,732,513	\$682,132	\$509,454	\$1,109,376



**Lubbock Reese Redevelopment Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017**

**SUMMARY OF CAPITAL ASSETS AND LEASE PAYABLE**

The Authority was the recipient of various items of property transferred to it by the United States Air Force via the execution of the Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance documents as detailed in Footnote 6 of the financial statements. On September 25, 2006, the Air Force deeded the title to the assets, and at that time, the previously recorded asset for the base conveyance, which was not being depreciated, was reclassified into its relative asset components. Various other capital improvements have been added and are being depreciated. A matrix is provided in Table A-3, below, outlining the various capital asset groups.

The Authority has the following leases:

- HVAC System for B800 financed with First Bank & Trust, beginning June 2013 for 60 months; \$5,337.45 per month.
- Generator for B36 financed with SPEC, beginning April 2013 for 120 months; \$1,003.90 per month.
- Xerox Copier for B800 with BBS Financial, beginning February 2014 for 60 months; \$282.60 per month.
- Canon Wide-Format Printer for B800 with Canon Financial Services, beginning August 2016 for 36 months; \$66.25 per month.

**Table A-3  
Lubbock Reese Redevelopment Authority's Net Capital Assets**

<b>Asset Description</b>	<b>Carrying Amount</b>	<b>Accumulated Depreciation</b>	<b>Net Asset Balance</b>
<b>Capital Assets Not Being Depreciated:</b>			
Land	\$ 1,563,462	\$ -	\$ 1,563,462
Total Capital Assets Not Being Depreciated	1,563,462	-	1,563,462
<b>Capital Assets Being Depreciated:</b>			
Buildings & Improvements	2,140,000	588,500	1,551,500
Infrastructure & Related Improvements	4,594,542	2,259,402	2,335,140
Computers & Office Equipment	260,535	235,592	24,943
Furniture & Fixtures	3,200,305	1,642,549	1,557,756
Vehicles	48,315	47,066	1,249
Grounds Maintenance Equipment	170,099	85,515	84,584
Total Capital Assets Being Depreciated	10,413,797	4,858,624	5,555,173
<b>Total Capital Assets</b>	<b>\$ 11,977,259</b>	<b>\$ 4,858,624</b>	<b>\$ 7,118,635</b>

**Lubbock Reese Redevelopment Authority  
Management's Discussion and Analysis  
For the Year Ended September 30, 2017**

**ANALYSIS OF BUDGET VARIANCES**

A comparison of major Budget Categories is provided in Table A-4 below. Please note that the data does not include depreciation expense. The Authority is not legally required to adopt a budget; however, management feels it is a prudent business practice to prepare a budget. The Authority budgeted \$2,517,800 in Total Revenue for the fiscal year ending September 30, 2017. Actual revenues were \$3,170,098. The Authority budgeted \$2,159,510 in total expenses for the fiscal year ending September 30, 2017. Actual expenses were \$2,060,722. This resulted in an increase of Net Position before depreciation of \$1,109,376 compared to the budgeted increase of Net Position of \$358,290 which results in a total favorable budget variance of \$751,086.

**Table A-4  
Lubbock Reese Redevelopment Authority's Budget Versus Actual**

	Actual	Budget	Favorable (Unfavorable) Variance
Revenues			
Operating Revenues	\$ 3,151,633	\$ 2,509,500	\$ 642,133
Non-Operating Revenues	18,465	8,300	10,165
Total Revenues	3,170,098	2,517,800	652,298
Operating Expenses (less depreciation)	2,060,722	2,159,510	98,788
Change in Net Position (less depreciation)	\$ 1,109,376	\$ 358,290	\$ 751,086

**CASH ACCOUNTS**

**Cash and Cash Equivalents** - The Authority maintains one interest bearing checking account for two different funds. This account is held at Plains Capital Bank. Every effort is made to maximize the interest income on this account.

# Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017

## INFRASTRUCTURE ASSETS

The Authority is comprised of 2,178.68 acres of land area as follows:

Airfield	1,691.77 acres
Southwest Land Fill	131.71 acres
Cantonment Area	242.40 acres
Housing Area	111.91 acres
Recreation Field	27.00 acres
<u>Total Acres</u>	<u>2,178.68 acres</u>

In September 2017, the Authority purchased back 26.11 acres of land located on the southwest portion of the airfield that was previously sold to a concrete plant in 2007.

### Electric

The electrical supply/power grid for the Authority consists of a large electrical grid with 49.26 miles of overhead electrical lines. This is a 1954 power grid that has had and continues to receive major upgrades. The entire power grid was sold to South Plains Electrical Cooperative (SPEC) who has been responsible for and is maintaining and upgrading the network. We do not anticipate any additional cost to the Authority for the upgrade of this system due to the current agreements. Management regularly reviews the long standing contract between the Authority and South Plains Electric Co-op (SPEC) to better plan for both aerial and underground delivery of telecommunications infrastructure. A further review of the obligations of SPEC to the Authority continues to ensure SPEC complies with their duty to provide a more consistent power supply as well as support current redundant power services currently provided to the Authority by SPEC.

The Authority has entered into an agreement with SPEC for the long term lease of a standby, emergency generator dedicated to the Data Center operations and certain other Authority operations. This should significantly upgrade the capabilities and sustainability of the data center. SPEC has converted the main Authority power grid into a "in phase" power source which will prevent significant campus wide power outages and assure consistent power supply. SPEC plans to upgrade the substation on the Authority property to support further campus power needs well into the future. In 2013 and 2104, SPEC, Authority management, and Texas Tech University began planning for the expansion and the build out of the power grid on the north and northeastern portions of the airfield. That planning has led to a build out of the power grid along the northeastern, northern and northwestern segments of the airfield and should complement future development in those areas in addition to the buildouts completed in 2015 by Group NIRE, GAMESA, and Sandia National Labs.

SPEC continues to provide responsive service support to the Authority and open collaboration with management. It should be noted that SPEC does not hold a "blanket easement" provision within the operating agreement between the Authority and SPEC. This provides for systematic and ongoing dialogue as service expansion and new easements are sought to assure positive growth and infrastructure support for the Authority, its customers, the surrounding service areas, and SPEC.



## Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017

### INFRASTRUCTURE ASSETS (Continued)

#### Natural Gas

The natural gas system, sold to Atmos Energy, consists of 17.84 miles of underground gas line. The system is a 1940 – 1950 system and has been inspected with most repairs identified and completed in prior years. At present time, we do not anticipate any major cost associated with this system. Atmos Energy is obligated to inspect and repair the system per the purchase agreement. Such a sale transferred risk, eliminated maintenance costs, and created both one-time and recurring income for the Authority.

#### Water and Waste Water

The Authority purchases water from the City of Lubbock who also process all the waste water. The water distribution system is TCEQ approved and consists of a 500,000 gallon elevated water tower and a 250,000 gallon underground storage tank with 73.99 miles of water lines throughout the 2,179 acre property. The sewer system consists of 20.46 miles of sewer lines. Both of these systems are currently in standard operating condition and have experienced no major difficulty. There are occasional water breaks due to the age of the system (1940 – 1950). The cost of repairs has been minimal compared to the previous years' experience. The residual and unknown risk of this liability were recognized by management and reflected in a specific allocation within the balance sheet for water infrastructure. However, the nature of the aging system and aging main water pumps present an as yet undetermined capital investment need in the future. Further, the condition of the water reaching the Reese water delivery system, which is the most distant delivery point from the City of Lubbock water service, presents increasing general treatment costs.

The relatively flat pipeline delivering water from the City of Lubbock system presents ongoing and increasing water testing needs and water system enhancements such as chloramines boosting equipment and circulation pump systems. A SCADA monitoring system to support remote monitoring of water intake from the City has been purchased and installed. This system is being programmed and we hope to have it online by year end 2017. This will enable management to both monitor water intake and control loss of water in the system with increasing sensing capabilities. The Authority continues to invest in water system training for its staff and has increased dialogue with TCEQ.

The Authority is contractually obligated to provide water and sewer services to a property owner immediately to the south; Matlock Development, Inc. The Authority supported the annexation of the property in question by the City of Lubbock. This annexation eliminated water management risks to the owner for the commercial and residential development. This agreement to provide water to Matlock has helped to reduce maintenance and overall water operation costs. To further manage the vast water system we have completed an extensive remapping of the water valve system. Certain major valves have been evaluated and/or replaced in subsequent years. This will help us better control the system and improve water circulation for chloramines. In addition, management is evaluating the elimination of certain portions of the water distribution system to reduce water system cycle time and increase the circulation of freshly treated water. In spite of continuing drought conditions and compliance with City of Lubbock water restrictions as defined by the Interlocal Agreement, we are able to provide significant reductions in water usage and increases in net income from water operations.

# Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017

## INFRASTRUCTURE ASSETS (Continued)

### Communications and Fiber

The telephone system is a 1954 copper wire infrastructure with 200 twisted pairs of phone cables throughout the property delivered via both aerial poles and buried conduit. These are concentrated in Building 20, Communications Building, and distributed throughout the major buildings of the campus. This system has largely been abandoned as the Authority transitioned from using copper and we are now exclusively on a fiber network. Agreements with two (2) independent Internet Service Providers, NTS and Suddenlink, were reached to allow redundancy and better support the Data Center. Management continues to seek out other providers and is in negotiations with Windstream, AT&T, and Unite Private Network. Management continues to explore the most cost effective means of providing the most reliable telecommunications to its customers and for its own operations.

The Authority completed installation of a fiber optic network in June of 2004. This was a result of a \$1.7 million EDA Grant to install this network with 144 strands of fiber. We anticipate modest income generation from the utilization and lease of the fiber optic network. The fiber optic system and management of it continue to be technically evaluated. We recently found a reliable fiber vendor for fiber installation and maintenance. To better support fiber and the Data Center, we have partnered with a third party company, Switch IT Support. In addition, to accommodate a new customer and provide redundancy, we have invested a significant amount of resources in infrastructure upgrades including a new roof, lightning rod system, HVAC system, and security. We are also exploring other options for ISP providers as described above. The Data Center and the availability of the fiber optic network provides both direct economic opportunities as well as value added attractions for current and potential customers.

### Roads

The Authority has 37 miles of streets with 12.69 curbed miles on the inner campus. We have instituted an annual seal coat program where a certain percent of the roads and parking lots are seal coated each year. This program is possible through the participation in a "small municipality paving co-op" through an interlocal agreement which provides a cost effective and on-going, preventative street maintenance program. In addition to participating in this seal coat program, we attempt to partner with Lubbock County for assistance in street repair and maintenance as well as seek out all state and federal grant opportunities.

Due to increased commercial traffic on the ramp and air field taxiway, management is evaluating the need for striping certain areas to provide safer and more organized traffic flow. In addition, management initiated an Airfield Ground Traffic Coordinator position to better manage increasing air and ground traffic on the facility.

Management continues to evaluate and prioritize the capital equipment needs/expenditures and capital facility improvements necessary to maintain and improve the property infrastructure. These projects will be funded and allocated based upon increasing cash flow and necessity.

# Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017

## INFRASTRUCTURE ASSETS (Continued)

### Airfield

The airfield consists of three runways as follows:

- Two runways, 10,500' x 150' – North/South: The center 10,500 foot runway remains open and operative to daylight /daytime Visual Flight Rules traffic. The westernmost 10,500 foot runway has been closed except for emergency use and serves as a commercial access road for activities involving commercial wind turbine construction and other research purposes.
- One runway, 6,500' x 100' – North /South: This runway is operational and the Authority provides baseline maintenance for both this runway and the center 10,500 foot runway.
- One runway, 6,500'x 100' – East /West – This runway has been, as a regulatory matter, closed by the FAA in agreement with the Authority. This closed runway will provide a commercial traffic viaduct for State Highway 114 and the commercial entrance. It also serves the renewal energy research being conducted at the westernmost part of the airfield, commercial activity on the hangar ramp area, and general growth on the southern segment of the property.
- The total amount of acreage of the airfield is approximately 1,692 acres. The airfield is in good condition, with the exception of the northern end of the westernmost runway which is experiencing expansion joint failure and erosion and has ongoing maintenance issues. We do not anticipate any major expenses in this area unless the airfield is leased. Ground traffic control responsibilities were added to the Operations department to both maximize safety and usage of the airfield. The westernmost runway was downgraded to an "emergency usage only" status to create a buffer for and ensure non-interference for renewal energy research being conducted west of the runway.

## SUBSEQUENT EVENTS AND PROSPECTIVE CONDITIONS

As of March 22, 2018, there were no significant events and/or prospective conditions that are anticipated to have a significant impact on the financial position of the Authority.

## ENVIRONMENTAL ISSUES ASSOCIATED WITH THE PROPERTY

During the time the U.S. Air Force operated Reese Air Force Base, certain chemicals (specifically, trichloroethylene, (TCE) used in cleaning and maintaining the aircraft engines leaked into the groundwater, thus contaminating the land and groundwater along a certain leaching path stretching miles from the property. The Air Force has taken full responsibility for the clean-up.

This includes contamination of land and groundwater as well as contamination from the Southwest Landfill, the solid waste disposal site formerly used by Reese Air Force Base. The Air Force will remain responsible for the cleanup of these sites for the duration of the time it takes to close out all sites. In order to minimize risks, the Authority has purchased a \$25 million Environmental Insurance and Business Interruption Policy from XL Insurance, Inc., the largest insurer of government facilities of this type. The policy was renewed in 2010, 2013 and 2016 for three more years.



## **Lubbock Reese Redevelopment Authority Management's Discussion and Analysis For the Year Ended September 30, 2017**

### **ENVIRONMENTAL ISSUES ASSOCIATED WITH THE PROPERTY (Continued)**

All cleanup activities have been contracted to Arcadis, Inc. by the Air Force. Clean up was completed in 2013 and three years' post-remedy monitoring resulted in no contamination. The Air Force is currently in the process of modification of the TCEQ permit as it relates to the remediation of the contaminant trichloroethylene (TCE). We anticipate this process to be completed by the end of 2017.

The Air Force is now testing for the possible release of perfluorinated compounds (PFC's) resulting from the use of aqueous film-forming foam (AFFF). AFFF is what the Air Force used for firefighting dating back to the 1970's. The EPA considers PFC's to be an emerging contaminate; they have issued a Lifetime Health Advisory (HA). In addition, TCEQ has set Protective Concentration Levels (PCL's). Well sampling on and around the former base property has resulted in levels exceeding the EPA health advisory limit and/or the TCEQ PCL's.

As of March 2018 the Air Force has received the PFC sample results for 152 of the 183 drinking water wells sampled since November 2017 near the former base property. A total of 52 private wells and one public well are above the EPA Lifetime Health Advisory levels or the TCEQ PCLs. All 52 private wells and one public well exceeding EPA or TCEQ limits are being resampled to confirm results. The Air Force is providing bottled water to 103 homes supplied by the 52 private and one public well that exceeded the EPA HA or TCEQ PCL limits. The area to be sampled has been expanded beyond one mile from the former base boundary and the number of impacted homes is expected to increase.

### **CONTACTING MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for its financial performance. If you have questions about this report or need additional financial information, contact the Lubbock Reese Redevelopment Authority's Office, 9801 Reese Blvd., Suite 200, Lubbock, TX 79416, (806) 885-6592.

THIS PAGE INTENTIONALLY LEFT BLANK

**Lubbock Reese Redevelopment Authority**  
**Statement of Net Position – Proprietary Fund**  
**September 30, 2017**

	<b>Campus Operations</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 3,035,464
Accounts receivable	312,875
Prepaid expenses	62,544
Total current assets	3,410,883
Non-current assets:	
Capital assets	
Land	1,563,462
Buildings and improvements	2,140,000
Infrastructure and related improvements	4,594,542
Computers and office equipment	260,535
Furniture and fixtures	3,200,305
Vehicles	48,315
Grounds maintenance equipment	170,099
Total capital assets	11,977,258
Less: Accumulated depreciation	(4,858,624)
Net capital assets	7,118,634
Other assets	
Net pension asset	58,859
Total other assets	58,859
Deferred Outflows of Resources	
Employer contributions subsequent to the measurement date	14,035
Change in assumptions	2,617
Net difference between projected and actual investment earnings	47,970
Total deferred outflows of resources	64,622
Total assets and deferred outflows of resources	\$ 10,652,998

*The accompanying notes are an integral part of these financial statements.*

	<b>Campus Operations</b>
<b>Liabilities</b>	
<b>Current liabilities</b>	
Accounts payable	\$ 149,356
Accrued expenses	17,693
Refundable deposits	35,944
Unearned revenues	281,201
Current portion of lease payable	51,206
<b>Total current liabilities</b>	<b>535,400</b>
<b>Non-current liabilities</b>	
Lease payable, less current portion	57,428
<b>Total liabilities</b>	<b>592,828</b>
<b>Deferred Inflows of Resources</b>	
Differences between expected and actual experience	5,256
<b>Total deferred inflows of resources</b>	<b>5,256</b>
<b>Net position</b>	
Net investment in capital assets	7,010,000
Unrestricted	3,044,914
<b>Total net position</b>	<b>10,054,914</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 10,652,998</b>

*The accompanying notes are an integral part of these financial statements.*

**Lubbock Reese Redevelopment Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund**  
**For the Year Ended September 30, 2017**

	<b>Campus Operations</b>
<hr/>	
Operating revenues	
Charges for services:	
Lease income	\$ 1,628,109
Common area maintenance/usage fees	927,032
Contract work income	402,637
Miscellaneous income	193,855
<hr/>	
Total operating revenues	3,151,633
<hr/>	
Operating expenses	
Compensation and benefits:	
Salaries and wages	518,787
Payroll taxes	31,848
Group health insurance	85,217
Workers compensation insurance	5,157
Pension plan expenses	20,251
Contract services	68,811
General and liability insurance	153,332
Building repairs and maintenance:	
Building maintenance materials	25,472
Marketing and promotional expenses	57,610
Travel expenses	1,344
Printing and advertising	2,242
Rents and leases	2,313
Depreciation expense	568,575
Telephone	2,839
Office supplies	32,621
Training and tuition expenses	7,925
Utilities	303,648
Professional services:	
Accounting and auditing fees	27,270
Legal fees	44,491
Computer software and maintenance	33,591

*The accompanying notes are an integral part of these financial statements.*



	<b>Campus Operations</b>
Operating expenses (concluded)	
Board expenses	\$ 1,403
Internet charges	24,465
Postage	1,346
Meeting expenses	4,055
Licenses and fees	1,397
Operations expense	603,287
<b>Total operating expenses</b>	<b>2,629,297</b>
<b>Operating income</b>	<b>522,336</b>
Non-operating revenues (expenses)	
Interest expense / bank charges	(5,081)
Interest income	23,546
<b>Total non-operating revenues</b>	<b>18,465</b>
Increase in net position	540,801
Net position, as previously reported	9,469,876
Adjustment for overstatement of salaries	44,237
<b>Balance at beginning of year, as restated</b>	<b>9,514,113</b>
<b>Net position, end of year</b>	<b>\$ 10,054,914</b>

*The accompanying notes are an integral part of these financial statements.*

**Lubbock Reese Redevelopment Authority  
Statement of Cash Flows – Proprietary Fund  
For the Year Ended September 30, 2017**

	<b>Campus Operations</b>
<hr/>	
Cash flows from operating activities	
Cash receipts from customers	\$ 2,865,140
Cash paid to others	193,855
Cash paid to employees for salaries and benefits	(616,198)
Cash paid to suppliers	(1,329,227)
<hr/>	
Net cash provided (used) by operating activities	1,113,570
<hr/>	
Cash flows from noncapital financing activities	
Operating Subsidies and Transfers to Other Funds	-
<hr/>	
Net cash provided (used) by noncapital financing activities	-
<hr/>	
Cash flows from capital and related financing activities	
Principal paid on capital debt	(73,614)
Interest paid on capital debt	(5,081)
Purchases and construction of capital assets	(496,328)
<hr/>	
Net cash provided (used) by capital and related financing activities	(575,023)
<hr/>	
Cash flows from investing activities	
Cash receipts from interest	23,546
<hr/>	
Net cash provided (used) by investing activities	23,546
<hr/>	
Net increase (decrease) in cash and cash equivalents	562,093
<hr/>	
Cash and cash equivalents, beginning of year	2,473,371
<hr/>	
Cash and cash equivalents, end of year	\$ 3,035,464
<hr/> <hr/>	

*The accompanying notes are an integral part of these financial statements.*

	<b>Campus Operations</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating income	\$ 522,336
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	568,575
Net pension expense	11,628
Decrease (increase) in assets:	
Accounts receivable	(152,453)
Prepaid expenses	76,896
Increase (decrease) in liabilities:	
Accounts payable	37,576
Accrued expenses	(10,433)
Refundable deposits	254
Unearned revenues	59,191
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,113,570</b>

*The accompanying notes are an integral part of these financial statements.*

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 1: HISTORY OF THE ORGANIZATION**

In June 1997, the Texas State Legislature enacted Public Law Chapter 703, establishing the Authority as a political subdivision of the State of Texas. The Authority was entrusted with investigating the acquisition, development and management of the properties within the geographical boundaries of the former Reese Air Force Base in Lubbock, Texas (the "Base") which closed September 30, 1997. The Authority is the successor in interest to the Lubbock Reese Redevelopment Authority Corporation, a nonprofit corporation organized under the Texas Non-Profit Corporation Act and succeeds to all rights and liabilities of the Corporation.

The Authority's seven member board is comprised of five members appointed by the governing body of the City of Lubbock, one member appointed by the governing body of the County of Lubbock, and the executive director of the South Plains Association of Governments.

The Authority's responsibilities include maintaining the property of the former Base in a manner consistent with its lease agreement with the U. S. Air Force ("Air Force") and cooperative agreement with the Air Force Real Property Agency (AFRPA), formerly the Air Force Base Conversion Agency (AFBCA), dated August 1997. Additionally, the Authority obtained a Federal grant through the Office of Economic Adjustment (OEA) to implement the Base reuse plan that was designed to enhance the economic development opportunities of the former Base facilities and replace the estimated 2,500 jobs lost due to the Base closure. The Authority also obtained funds through interlocal cooperative agreements with the City and County of Lubbock to facilitate the reuse plan as well.

On August 25, 1999, the United States Air Force transferred approximately 2,904.5 acres of land, associated facilities, infrastructure and personal property to the Authority via the execution of Economic Development Conveyance ("EDC") and Lease in Furtherance of Conveyance documents. This EDC document, which is a mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Base property to the Authority for the sum of \$3,200,000, as evidenced by a promissory note, and through a 50 year lease, with commitments from the Air Force to transfer title to the property upon meeting the requirements of Section 120(h)(3)(B) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

On November 21, 2000, the Authority entered into an agreement with the Air Force to amend the EDC agreement. The amended EDC provided that the Air Force forgive the balance due of \$3,200,000 under the promissory note described in preceding paragraphs. In consideration of the Air Force canceling the promissory note, releasing the lien of the Deed of Trust, and amending the EDC agreement, the Authority agreed to reinvest the proceeds from any sale, lease, or other use of the EDC premises received by the Authority during the period ending seven years from November 1, 2000 (the reinvestment period), to pay for, or offset the costs of, public investment on or related to the former Reese AFB.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 1: HISTORY OF THE ORGANIZATION (Continued)**

If, at the end of the reinvestment period, the Authority has not reinvested or committed for reinvestment, all of the proceeds generated from the sale, lease or equivalent of the EDC premises, the Authority agrees that these amounts shall become due and payable to the Air Force. This provision will only apply if the Authority is not able to demonstrate to the satisfaction of the Air Force, that excess proceeds not reinvested at the end of the reinvestment period will be used for an allowable expenditure after the end of the reinvestment period.

On September 25, 2006, the Air Force transferred title to the property in accordance with the EDC document.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Reporting Entity***

The accompanying basic financial statements present the activities of the Authority which is a political subdivision of the State of Texas. There are no legally separate organizations for which the Authority is financially accountable; therefore, there are no component units presented in these financial statements.

***Basis of Presentation***

*Government-Wide Financial Statements* – The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position display information about the primary government (the Authority). These statements include the financial activities of the overall government, except for fiduciary activities (where applicable). Business-type activities are financed in whole or in part by fees charged to external parties. The Authority has only business-type activities, and thus Government-Wide Financial Statements are not presented.

*Fund Financial Statements* – Due to the fact that the Authority is engaged in only business-type activities it is required to present only the financial statements required for enterprise funds, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. The Authority has chosen to also present its enterprise funds at the fund level in the supplemental information section of the report.

*Revenue and Expense Reporting* - The Statement of Revenues, Expenses and Changes in Net Position presents a comparison between direct expenses and program revenues for different business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Proprietary fund operating revenues (business-type activities), such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies, grants, and investment earnings, result from nonexchange transactions or ancillary activities.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Accounting / Measurement Focus***

The Authority's basic financial statements are reported using the economic resources measurement focus. These statements are reported on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Authority receives (or gives) value without directly giving (or receiving) equal value in exchange include grants, entitlements, investment earnings and donations (if any). On an accrual basis, revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been met.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the Authority considers all highly liquid investments with original maturities of three months or less, to be cash equivalents. In addition, those amounts that have associated restrictions are not considered cash equivalents. For more information on cash and cash equivalents, deposits and investments, see Note 3.

***Receivables and Payables***

All receivables are shown net of allowance for uncollectible balances and consist primarily of the unpaid balances due from customer billings. Payables are shown net of discounts and represent liabilities not paid as of the last day of the fiscal period.

***Unearned Revenue***

Certain revenues do not meet the measurable and available criteria for revenue recognition and, accordingly, these revenues are unearned in the funds. Unearned revenue consisted entirely of lease income received but unearned as of the last day of the fiscal period.

***Accounting Pronouncements***

During the year ended September 30, 2017, the Authority adopted GASB Statements No. 73, Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (partial), No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, No. 77, Tax Abatement Disclosures, No. 78 Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, and No. 82, Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73 (partial). The only standard applicable to the Authority is GASB Statement No. 82.

GASB Statement No. 82 clarified and adjusted several items from GASB 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets***

Purchased or constructed capital assets are reported at cost in the accompanying financial statements. Donated capital assets are recorded at their estimated fair value at the date of donation. Infrastructure assets consist of road and parking lot networks, the fiber optic and telecommunications network, and other non-building improvements. These assets have been recorded at cost or estimated fair value at the date of receipt. The cost of normal maintenance and repairs that do not add value to the asset or materially extend the assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<b>Asset Class</b>	<b>Estimated Useful Lives (In Years)</b>
Buildings and Improvements	5 to 40
Infrastructure and Related Improvements	5 to 15
Computers and Office Equipment	3 to 10
Furniture and Fixtures	5 to 15
Vehicles	5
Grounds Maintenance Equipment	5 to 15

***Net Position***

The financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – This component of net position consists of capital assets, net of accumulated depreciation and reduced by any debt outstanding against the acquisition, construction or improvement of these assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt is included in this component of net position.
- **Unrestricted** – The component of net position is the net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of the net investment in capital assets or restricted component of net position.
- **Restricted** – The component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

***Use of Estimates***

Management uses estimates and assumptions in preparing these financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Compensated Absences***

The Authority's employees are granted vacation and sick leave in varying amounts. Upon termination, an employee is paid the full amount of unused accumulated vacation days. Accumulated sick leave is not payable upon termination. The liability for compensated absences reported in the financial statements consists of unpaid accumulated vacation leave balances. This liability has been calculated using the number of hours of unpaid leave per employee multiplied by each respective employee's current pay rate. As of September 30, 2017, compensated absences consisted of (\$3,570), which are included in accrued expenses on the Statement of Net Position – Proprietary Funds. This negative balance is due to the timing of leave taken versus leave earned.

***Pensions***

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred in flow of resources related to pensions, and pension expense, information about fiduciary net position of the Authority's employees' pension plan (TCDRS) and additions to/deductions from TCDRS fiduciary net position have been determined on the same basis as they are reported by the TCDRS. For this purpose, benefit payments (including refunds of employee contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Reclassifications***

Certain amounts in 2016 have been reclassified to conform to the 2017 presentation. Net position and changes in net position are unchanged due to these reclassifications.

**NOTE 3: CASH AND CASH EQUIVALENTS**

The Authority maintains all of its cash balances in one bank located in Lubbock, Texas. Deposits held at the bank are required to be covered by the Federal Depository Insurance Corporation (FDIC) and a surety bond or securities equal to the balance not covered by FDIC insurance coverage.

As of September 30, 2017, the carrying amount of the Authority's bank deposits was \$3,035,464 and the respective bank balances totaled \$3,076,724. Of the total bank balance, \$250,000 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining balance was collateralized with pledged government securities held by the financial institution's trust department with a market value of \$3,130,820 as of September 30, 2017. Below is a summary of deposit account and cash equivalent balances as of September 30, 2017:

<u>Account Type</u>	<u>Balance</u>
Cash on hand	
Petty Cash	\$ 100
Demand Deposits	
Checking Account	3,035,364
<b>Total cash and cash equivalents</b>	<b>\$ 3,035,464</b>



**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 4: ACCOUNTS RECEIVABLE**

Accounts receivable are deemed fully collectible by management and are comprised of the following amounts at September 30, 2017:

<b>Source</b>	<b>Nature of Receivable</b>	<b>Balance</b>
Tenants and customers	Leases, CAM, and usage fees	\$ 312,875
Allowance for doubtful accounts	Leases, CAM, and usage fees	-
<b>Net accounts receivable</b>		<b>\$ 312,875</b>

**NOTE 5: CAPITAL ASSETS**

The capital assets of the Authority are presented below:

<b>Asset Description</b>	<b>Beginning Balances</b>	<b>Assets Placed In Service</b>	<b>Assets Removed from Service</b>	<b>Ending Balances</b>
Capital assets not being depreciated				
Land	\$ 1,337,251	\$ 226,211	\$ -	\$ 1,563,462
Capital assets being depreciated				
Buildings and improvements	2,140,000	-	-	2,140,000
Infrastructure and related improvements	4,511,482	83,060	-	4,594,542
Computers and office equipment	260,535	-	-	260,535
Furniture and fixtures	3,020,247	180,058	-	3,200,305
Vehicles	48,315	-	-	48,315
Grounds maintenance equipment	163,099	7,000	-	170,099
<b>Total capital assets</b>	<b>\$ 11,480,929</b>	<b>\$ 496,329</b>	<b>\$ -</b>	<b>\$ 11,977,258</b>

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 5: CAPITAL ASSETS (Continued)**

The accumulated depreciation on capital assets of the Authority is presented below:

<b>Accumulated Depreciation on Capital Assets being Depreciated</b>	<b>Beginning Balances</b>	<b>Current Year Depreciation</b>	<b>Reductions in Accumulated Depreciation</b>	<b>Ending Balances</b>
Buildings and improvements	\$ 535,000	\$ 53,500	\$ -	\$ 588,500
Infrastructure and related improvements	1,943,631	315,771	-	2,259,402
Computers and office equipment	220,381	15,211	-	235,592
Furniture and fixtures	1,478,129	164,420	-	1,642,549
Vehicles	46,067	999	-	47,066
Grounds maintenance equipment	66,841	18,674	-	85,515
<b>Total accumulated depreciation</b>	<b>4,290,049</b>	<b>\$ 568,575</b>	<b>\$ -</b>	<b>4,858,624</b>
<b>Net capital assets</b>	<b>\$ 7,190,880</b>			<b>\$ 7,118,634</b>

**NOTE 6: EDC CONVEYANCE**

On August 25, 1999, the United States Air Force transferred approximately 2,904.5 acres of land, associated facilities, infrastructure and personal property to the Authority via the execution of Economic Development Conveyance (“EDC”) and Lease in Furtherance of Conveyance documents. This EDC document, which is a mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Base property to the Authority for the sum of \$3,200,000, as evidenced by a promissory note, and through a 50 year lease, with commitments from the Air Force to transfer title to the property upon meeting the requirements of Section 120(h)(3)(B) of the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

On August 24, 2000, the United States Air Force transferred title to buildings which represented housing for military families. At that time, the Authority sold all such houses except for the base housing office building. The base housing office building has been recorded at an estimated fair value of \$15,000 in these financial statements.

On November 21, 2000, the Authority entered into an agreement with the Air Force to amend the EDC agreement. The amended EDC provided that the Air Force forgive the balance due of \$3,200,000 under the promissory note described in preceding paragraphs. In consideration of the Air Force canceling the promissory note, releasing the lien of the Deed of Trust, and amending the EDC agreement, the Authority agreed to reinvest the proceeds from any sale, lease, or other use of the EDC premises received by the Authority during the period ending seven years from November 1, 2000 (the reinvestment period), to pay for, or offset the costs of, public investment on or related to the former Reese AFB.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 6: EDC CONVEYANCE (Continued)**

On October 5, 2002, the United States Air Force transferred approximately 1,620 acres of land and associated facilities and infrastructure to the Authority that includes the old airstrips in connection with the EDC agreement above. The land and airfield has been recorded at an estimated fair value of \$270,000 in these financial statements.

On September 25, 2006, the United States Air Force transferred title to the remaining property in accordance with the EDC document. At that time, the balance in the EDC Conveyance asset was reclassified to its appropriate capital asset category.

Below is a schedule of the individual assets making up the total balance and the status of the property under the Lease in Furtherance of Conveyance.

Description of Property	Status of Conveyance	Effective Date	Recorded Balance
Main Campus – 242.3 acres	Deeded/ Title Transferred	9/25/2006	\$ 3,200,000
Base Housing Office	Deeded/ Title Transferred	8/24/2000	15,000
Airfield – 1,620 acres	Deeded/ Title Transferred	10/5/2002	270,000

During the year ended September 30, 2017, the Authority purchased 26.11 acres of land attached to the airfield for a price of \$226,211. The following are the capital asset categories after this purchase and with the activity on the property since conveyance:

Description	Recorded as Land	Recorded as Buildings
Main Campus	\$ 1,075,000	\$ 2,125,000
Base Housing Office	-	15,000
Airfield - 1,691.77 acres	488,462	-
<b>Totals</b>	<b>\$ 1,563,462</b>	<b>\$ 2,140,000</b>

**NOTE 7: TCDRS RETIREMENT PLAN**

**Plan Description** – Lubbock Reese Redevelopment Authority provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768-2034.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 7: TCDRS RETIREMENT PLAN (Continued)**

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 5 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 5 years of service, but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal deposits in a lump sum are not entitled to any amounts contributed by their employer.

**Benefits Provided** – Benefit amounts are determined by the sum of the employee’s deposits to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated deposits and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**Contributions** – The employer has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually.

**Net Pension Liability** – The TCDRS pension liability/asset amounts, net pension liability/asset amounts, and sensitivity information were based on an annual actuarial valuation performed as of December 31, 2016. The TCDRS pension liability/asset amounts were rolled forward from the valuation date to the Plan year ending December 31, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date December 31, 2016.

**Other Key Actuarial Assumptions.** Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2016 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68.

Valuation date	Dec. 31, 2015	Dec. 31, 2016
Measurement date	Dec. 31, 2015	Dec. 31, 2016
Reporting date	Employer Beg. Fiscal Year	Employer FYE

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS’ investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 7: TCDRS RETIREMENT PLAN (Continued)**

See Milliman's TCDRS Investigation of Experience report for the period January 1, 2009 – December 31, 2012 for more details.

Asset Class	Benchmark	Target Allocation <sup>1</sup>	Geometric Real Rate of Return (Expected minus inflation) <sup>2</sup>
US Equities	Dow Jones US Total Stock Market Index	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index <sup>3</sup>	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities – Developed Markets	MSCI World Ex USA (net)	10.00%	4.70%
International Equities – Emerging Markets	MSCI World Ex USA (net)	7.00%	5.70%
Investment – Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.60%
High – Yield Bonds	Citigroup High – Yield Cash – Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High – Yield Cash – Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index <sup>4</sup>	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>5</sup>	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%

<sup>1</sup>Target asset allocation adopted at the April 2017 TCDRS Board meeting.

<sup>2</sup>Geometric real rates of return in addition to assumed inflation of 2.0%, per Cliffwater's 2017 capital market assumptions.

<sup>3</sup>Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>4</sup>Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

<sup>5</sup>Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 7: TCDRS RETIREMENT PLAN (Continued)**

	<b>December 31,</b>		<b>December 31,</b>
	<b>2015</b>		<b>2016</b>
Total pension liability	\$ 854,949	\$	913,188
Fiduciary net position	902,550		972,047
Net pension liability (asset)	(47,601)		(58,859)
Fiduciary net position as a % of total pension liability	105.57%		106.45%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actual assumptions below.

	<b>December 31,</b>		<b>December 31,</b>
	<b>2015</b>		<b>2016</b>
Discount rate	8.10%		8.10%
Long-term expected rate of return, net of investment expense	8.10%		8.10%

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 7: TCDRS RETIREMENT PLAN (Continued)**

**Changes in Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability (Asset)
Balances as of December 31, 2015	\$ 854,949	\$ 902,550	\$ (47,601)
Changes for the year:			
Service cost	44,461	-	44,461
Interest on total pension liability	69,110	-	69,110
Effect of plan changes	-	-	-
Effect of economic/demographic gains or losses	(7,311)	-	(7,311)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(4,235)	(4,235)	-
Benefit payments	(43,785)	(43,785)	-
Administrative expenses	-	(725)	725
Member contributions	-	25,421	(25,421)
Net investment income	-	66,845	(66,845)
Employer contributions	-	14,490	(14,490)
Other	(1)	11,486	(11,487)
Balances as of December 31, 2016	\$ 913,188	\$ 972,047	\$ (58,859)

**Deferred Inflows / Outflows of Resources**

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	\$ 5,256	\$ -
Changes in assumptions	-	2,617
Net difference between projected and actual earnings on pension plan investments	-	47,970
Authority's contributions subsequent to the measurement date	-	14,035
<b>Total</b>	<b>\$ 5,256</b>	<b>\$ 64,622</b>

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 7: TCDRS RETIREMENT PLAN (Continued)**

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	
2017	\$ 16,075
2018	13,839
2019	14,144
Thereafter	1,273
	\$ 45,331

**Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.** The following table shows the sensitivity of the net pension asset to changes in the discount rate. In particular, the tables present the Authority's net pension asset in the plan that the Authority participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (7.10%) or one percentage point higher (9.10%) than the single discount rate.

	<b>1% Decrease (7.10%)</b>	<b>Current Discount Rate (8.10%)</b>	<b>1% Increase (9.10%)</b>
Authority's proportionate share of the net pension asset	\$ 39,700	\$ (58,859)	\$ (141,754)

**Payables to the pension plan.** At September 30, 2017 there were no contributions due and payable to the plan for the Authority.

**NOTE 8: OPERATION LEASES – LESSEE**

The Authority has one non-cancelable operating lease for office equipment with an aggregate monthly rental payment of \$66 until 2019. The Authority also rented equipment on a short-term basis as needed for various projects during the year.

Lease and rent payments included in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds for the year ended September 30, 2017 for these leases were \$2,313.

**NOTE 9: OPERATING LEASES – LESSOR**

During the fiscal year ended September 30, 2017, the Authority entered into or renewed fifteen lease agreements with various parties for certain property obtained from the Air Force under the EDC and Lease in Furtherance of Conveyance document. These leases range from one year to ten years in length with both flat and graduated rent income over the life of the leases.



**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 9: OPERATING LEASES – LESSOR (Continued)**

In addition, the Authority issues various Right of Entry and Right of Usage agreements during the year for varying lengths of time. These agreements are normally for terms of one year or less.

Rental receipts included in the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds for the year ended September 30, 2017 were \$1,628,109. Rental receipts for non-cancelable operating leases commitments greater than one year are as follows:

<b>For the year ended September 30,</b>	<b>Future Rental Receipts</b>
2018	\$ 2,341,030
2019	2,281,908
2020	2,038,784
2021	1,656,369
2022 and thereafter	17,789,685
	\$ 26,107,776

**NOTE 10: INSURANCE**

The Authority is a member of the Texas Municipal League (TML) Joint Insurance Fund. The fund is a self-insurance pool which behaves as a cooperative for the purposes of providing insurance benefits for political and public entities. Through the Fund, the Authority maintains general liability coverage in the amount of \$10,000,000 as well as property and casualty insurance. The Authority has undertaken a Risk Management Program with the assistance of TML and other resources. The Authority does not anticipate losses in excess of the limits of the general liability coverage; therefore, no accrual for loss contingencies has been made.

**NOTE 11: INTEREST INCOME**

During the fiscal year ended September 30, 2017, the Authority earned \$23,546 in interest income from deposits held at Plains Capital Bank.

**NOTE 12: RELATED PARTY TRANSACTIONS**

During the year ended September 30, 2017, the Authority entered into agreements related to the various building improvements throughout the campus. Two of these transactions were with related parties. The first is with the engineering/architectural firm, Parkhill, Smith & Cooper, at which one of the board members is employed. The other was with South Plains Association of Governments, where again, a board member is employed.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 13: CAPITAL LEASE**

The Authority's long-term debt at September 30, 2017 consisted of the following:

Capital lease	\$	108,634
Less: current maturities		(51,206)
		57,428
	\$	57,428

In June 2013, the Authority entered into capital lease payable to First Bank & Trust is to finance a portion of the new HVAC renovation in building 800. The original amount of the lease was \$300,000. The lease is payable in monthly installments of \$5,337 at an interest rate of 2.6%.

In April 2013, the Authority entered into a 10-year lease with SPEC on a new diesel engine generator. Lease payments on this are \$1,004 a month. In February 2014, the Authority entered into a 5-year lease with BBS Financial for a new copy machine. Lease payments are \$283 a month.

The Authority has calculated interest on these payments based on their incremental borrowing rate, as neither lease contained a stated rate of interest. There were no new leases during the year ended September 30, 2017.

Interest of \$5,081 was charged to expenses during the fiscal year ended September 30, 2017.

Estimated maturities of long-term debt are as follows:

<b>Fiscal year ending September 30,</b>		
2018	\$	51,206
2019		11,473
2020		10,256
2021		10,733
2022		11,232
Thereafter		13,734
		108,634
	\$	108,634

**NOTE 14: INTER-FUND TRANSACTIONS**

These eliminations noted on the Combining Statements of Net Position – Campus Operations, represent the receivables and payments due to or from the other funds. These are the result of transactions occurring on one fund that were related to the activities of a different fund. The fund that is financing the transaction will be reimbursed by the fund that records the results of the transaction.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 15: SUBSEQUENT EVENTS**

Events occurring after September 30, 2017, have been evaluated for possible adjustments to the financial statements or disclosure as of March 22, 2018, which is the date the financial statements were available to be issued. After September 30, 2017, but prior to the release of these financial statements, the Authority paid off the SPEC generator lease for \$57,739. This lease is included in the capital leases as described in Note 13.

**NOTE 16: SUBSEQUENT PRONOUNCEMENTS**

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 Irrevocable Split-Interest Agreements was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, Certain Asset Retirement Obligations was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In January 2017, GASB Statement No. 84 Fiduciary Activities was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85 Omnibus 2017 was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The Authority is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86 Certain Debt Extinguishment Issues was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

**Lubbock Reese Redevelopment Authority**  
**Notes to Financial Statements**  
**September 30, 2017**

**NOTE 16: SUBSEQUENT PRONOUNCEMENTS (Continued)**

In June 2017, GASB Statement No. 87 Leases was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The Authority is still evaluating how this pronouncement will affect the financial statements.

**NOTE 17: PRIOR PERIOD ADJUSTMENT**

An error resulting in the misstatement of current salaries expense as discovered by management during the year ended September 30, 2017. An adjustment totaling \$44,437 for salaries expense was recorded to restate unrestricted net position at September 30, 2016.

The following summarizes the prior period adjustment referred to above:

	<b>Unrestricted Net Position</b>	
Balance at September 30, 2016, as previously reported	\$	9,469,876
Prior period adjustment		44,237
Balance at September 30, 2017, as restated	\$	9,514,113

## **Required Supplementary Information**

**Lubbock Reese Redevelopment Authority**  
**Schedule of Changes in the Authority's Net Pension Asset and Related Ratios**  
**Last 10 Fiscal Years\***

	2017 Measurement Date (As of and for the year ended December 31, 2016)	2016 Measurement Date (As of and for the year ended December 31, 2015)	2015 Measurement Date (As of and for the year ended December 31, 2014)
<b>Total Pension Liability</b>			
Service cost	\$ 44,461	\$ 36,071	\$ 44,244
Interest on total pension liability	69,110	64,273	59,812
Effect of plan changes	-	(3,091)	-
Effect of assumption changes or inputs	-	7,852	-
Effect of economic/demographic (gain) or losses	(7,311)	(1,145)	(11,595)
Benefit payments/refunds of contributions	(48,020)	(44,124)	(27,615)
Net change in total pension liability	58,240	59,837	64,846
Total pension liability, beginning	854,949	795,111	730,265
Total pension liability, ending (a)	913,188	854,949	795,111
<b>Fiduciary Net Position</b>			
Employer contributions	14,490	14,354	13,316
Member contributions	25,421	24,664	25,509
Investment income net of investment expenses	66,845	9,045	57,939
Benefit payments/refunds of contributions	(48,020)	(44,124)	(27,615)
Administrative expenses	(725)	(649)	(667)
Other	11,487	(3,309)	1,101
Net change in fiduciary net position	69,497	(19)	69,583
Fiduciary net position, beginning	902,550	902,569	832,986
Fiduciary net position, ending (b)	972,047	902,550	902,569
Net pension liability / (asset) = (a) - (b)	\$ (58,859)	\$ (47,601)	\$ (107,457)
Fiduciary net position as a % of total pension liability	106.45%	105.57%	113.51%
Pensionable covered payroll	\$ 493,271	\$ 510,174	\$ 510,174
Net pension liability as a % of covered payroll	-11.93%	-9.33%	-21.06%

\* The amounts presented were determined as of December 31. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Lubbock Reese Redevelopment Authority will present information for those years for which information is available.

*See independent auditors' report.*  
*See notes to required supplementary information.*

**Lubbock Reese Redevelopment Authority  
Schedule of Authority's Contributions  
Texas County and District Retirement System  
Last 10 Fiscal Years\***

	As of and for the year ended December 31, 2017	As of and for the year ended December 31, 2016	As of and for the year ended December 31, 2015
Actuarial determined contributions	\$ 14,035	\$ 19,901	\$ 13,316
Contributions in relation to the contractually required contribution	(14,035)	(19,901)	(13,316)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Lubbock Reese Redevelopment Authority's covered-employee payroll	\$ 508,429	\$ 493,271	\$ 510,174
Contributions as a percentage of covered-employee payroll	2.76%	4.03%	2.61%

\* The amounts presented were determined as of December 31, 2016. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, Lubbock Reese Redevelopment Authority will present information for those years for which information is available.

**Notes to Required Supplementary Information:**

<b>Valuation Timing</b>	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
<b>Actuarial Cost Method</b>	Entry Age Normal <sup>(1)</sup>
<b>Amortization Method</b>	
Recognition of economic/demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
<b>Asset Valuation Method</b>	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
<b>Inflation</b>	Same as funding valuation: See Appendix C
<b>Salary Increases</b>	Same as funding valuation: See Appendix C
<b>Investment Rate of Return</b>	8.10%
<b>Cost-of-Living Adjustments</b>	Cost-of-Living Adjustments for Lubbock Reese Redevelopment Authority are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
<b>Retirement Age</b>	Same as funding valuation: See Appendix C
<b>Turnover</b>	Same as funding valuation: See Appendix C
<b>Mortality</b>	Same as funding valuation: See Appendix C

*See independent auditors' report.*

THIS PAGE INTENTIONALLY LEFT BLANK



## **Supplementary Information**

**Lubbock Reese Redevelopment Authority**  
**Combining Statement of Net Position – Campus Operations**  
**September 30, 2017**

	Campus Operations			Totals
	General Activities	Fiber Optic Network	Eliminations	
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 3,035,464	\$ -	\$ -	\$ 3,035,464
Receivables:				
Accounts receivable	278,680	34,195	-	312,875
Interfund receivables	955,511	-	(955,511)	-
Total receivables	1,234,191	34,195	(955,511)	312,875
Prepaid expenses	52,932	9,612	-	62,544
Total current assets	4,322,587	43,807	(955,511)	3,410,883
Non-current assets:				
Capital assets				
Land	1,563,462	-	-	1,563,462
Buildings and improvements	2,140,000	-	-	2,140,000
Infrastructure and related improvements	2,846,858	1,747,684	-	4,594,542
Computers and office equipment	149,135	111,400	-	260,535
Furniture and fixtures	2,985,848	214,457	-	3,200,305
Vehicles	48,315	-	-	48,315
Grounds maintenance equipment	73,481	96,618	-	170,099
Total capital assets	9,807,099	2,170,159	-	11,977,258
Less: Accumulated depreciation	(3,092,112)	(1,766,512)	-	(4,858,624)
Net capital assets	6,714,987	403,647	-	7,118,634
Other Assets				
Net pension asset	58,859	-	-	58,859
Total other assets	58,859	-	-	58,859
Deferred Outflows of Resources				
Employer contributions subsequent to the measurement date	14,035	-	-	14,035
Changes in assumptions	2,617	-	-	2,617
Net difference between projected and actual investment earnings	47,970	-	-	47,970
Total deferred outflows	64,622	-	-	64,622
<b>Total assets and deferred outflows</b>	<b>\$ 11,161,055</b>	<b>\$ 447,454</b>	<b>\$ (955,511)</b>	<b>\$ 10,652,998</b>

*See independent auditors' report.*

	Campus Operations			Totals
	General Activities	Fiber Optic Network	Eliminations	
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 138,003	\$ 11,353	\$ -	\$ 149,356
Accrued expenses	17,693	-	-	17,693
Refundable deposits	35,721	223	-	35,944
Unearned revenues	263,102	18,099	-	281,201
Current portion of lease payable	41,841	9,365	-	51,206
Interfund payables	-	955,511	(955,511)	-
<b>Total current liabilities</b>	<b>496,360</b>	<b>994,551</b>	<b>(955,511)</b>	<b>535,400</b>
Non-current liabilities				
Lease payable, less current portion	-	57,428	-	57,428
<b>Total liabilities</b>	<b>496,360</b>	<b>1,051,979</b>	<b>(955,511)</b>	<b>592,828</b>
Deferred Inflows of Resources				
Differences between expected and actual experience	5,256	-	-	5,256
<b>Total deferred inflows</b>	<b>5,256</b>	<b>-</b>	<b>-</b>	<b>5,256</b>
Net position				
Net investment in capital assets	6,673,146	336,854	-	7,010,000
Unrestricted	3,986,293	(941,379)	-	3,044,914
<b>Total net position</b>	<b>10,659,439</b>	<b>(604,525)</b>	<b>-</b>	<b>10,054,914</b>
<b>Total liabilities, deferred inflows, and net position</b>	<b>\$ 11,161,055</b>	<b>\$ 447,454</b>	<b>\$ (955,511)</b>	<b>\$ 10,652,998</b>

See independent auditors' report.

**Lubbock Reese Redevelopment Authority**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position –**  
**Campus Operations**  
**For the Year Ended September 30, 2017**

	Campus Operations		
	General Activities	Fiber Optic Network	Totals
Operating revenues			
Charges for services:			
Lease income	\$ 1,400,192	\$ 227,917	\$ 1,628,109
Common area maintenance/usage fees	914,674	12,358	927,032
Contract work income	402,637	-	402,637
Miscellaneous income	193,855	-	193,855
<hr/>			
Total operating revenues	2,911,358	240,275	3,151,633
<hr/>			
Operating expenses			
Compensation and benefits:			
Salaries and wages	518,787	-	518,787
Payroll taxes	31,848	-	31,848
Group health insurance	85,217	-	85,217
Workers compensation insurance	5,157	-	5,157
Pension plan expenses	20,251	-	20,251
Contract services	56,616	12,195	68,811
General and liability insurance	156,966	(3,634)	153,332
Building repairs and maintenance:			
Building maintenance materials	21,866	3,606	25,472
Marketing and promotional expenses	57,610	-	57,610
Travel expenses	1,344	-	1,344
Printing and advertising	2,242	-	2,242
Rents and leases	2,313	-	2,313
Depreciation expense	421,618	146,957	568,575
Telephone	2,839	-	2,839
Office supplies	32,621	-	32,621
Training and tuition expenses	7,925	-	7,925
Utilities	225,822	77,826	303,648
Professional services:			
Accounting and auditing fees	27,270	-	27,270
Legal fees	44,491	-	44,491
Computer software and maintenance	-	33,591	33,591

*See independent auditors' report.*

	<b>Campus Operations</b>		
	<b>General Activities</b>	<b>Fiber Optic Network</b>	<b>Totals</b>
Operating expenses (concluded)			
Other operating expenses			
Board expenses	\$ 1,403	\$ -	\$ 1,403
Internet charges	-	24,465	24,465
Postage	1,346	-	1,346
Meeting expenses	4,055	-	4,055
Licenses and fees	1,397	-	1,397
Operations expense	603,287	-	603,287
<b>Total operating expenses</b>	<b>2,334,291</b>	<b>295,006</b>	<b>2,629,297</b>
<b>Operating income (loss)</b>	<b>577,067</b>	<b>(54,731)</b>	<b>522,336</b>
Non-operating revenues (expenses)			
Interest expense / bank charges	(2,225)	(2,856)	(5,081)
Interest income	23,463	83	23,546
<b>Total non-operating revenues</b>	<b>21,238</b>	<b>(2,773)</b>	<b>18,465</b>
Increase (decrease) in net position	598,305	(57,504)	540,801
Net position, as previously reported	10,016,897	(547,021)	9,469,876
Adjustment for overstatement of salaries	44,237	-	44,237
Balance at beginning of year, as restated	10,061,134	(547,021)	9,514,113
<b>Net position, end of year</b>	<b>\$ 10,659,439</b>	<b>\$ (604,525)</b>	<b>\$ 10,054,914</b>

*See independent auditors' report.*

**Lubbock Reese Redevelopment Authority**  
**Combining Statement of Cash Flows – Campus Operations**  
**For the Year Ended September 30, 2017**

	<b>Campus Operations</b>		
	<b>General Activities</b>	<b>Fiber Optic Network</b>	<b>Totals</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers	\$ 2,647,296	\$ 217,844	\$ 2,865,140
Cash received from (paid to) others	193,855	-	193,855
Cash paid to employees for salaries and benefits	(616,198)	-	(616,198)
Cash paid to suppliers	(1,183,251)	(145,976)	(1,329,227)
<b>Net cash provided by operating activities</b>	<b>1,041,702</b>	<b>71,868</b>	<b>1,113,570</b>
<b>Cash flows from noncapital financing activities</b>			
Operating subsidies and transfers to other funds	205,475	(205,475)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>205,475</b>	<b>(205,475)</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>			
Principal paid on capital debt	(65,427)	(8,187)	(73,614)
Interest paid on capital debt	(2,225)	(2,856)	(5,081)
Purchases and construction of capital assets	(485,973)	(10,355)	(496,328)
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(553,625)</b>	<b>(21,398)</b>	<b>(575,023)</b>
<b>Cash flows from investing activities</b>			
Cash receipts from interest	23,463	83	23,546
<b>Net cash provided (used) by investing activities</b>	<b>23,463</b>	<b>83</b>	<b>23,546</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>717,015</b>	<b>(154,922)</b>	<b>562,093</b>
Cash and cash equivalents, beginning of year	2,318,449	154,922	2,473,371
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,035,464</b>	<b>\$ -</b>	<b>\$ 3,035,464</b>

*See independent auditors' report.*

	<b>Campus Operations</b>		
	<b>General Activities</b>	<b>Fiber Optic Network</b>	<b>Totals</b>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 577,067	\$ (54,731)	\$ 522,336
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	421,618	146,957	568,575
Net pension expense	11,628	-	11,628
Decrease (increase) in assets:			
Accounts receivable	(126,018)	(26,435)	(152,453)
Prepaid expenses	82,466	(5,570)	76,896
Increase (decrease) in liabilities:			
Accounts payable	29,933	7,643	37,576
Accrued expenses	(10,433)	-	(10,433)
Refundable deposits	229	25	254
Unearned revenues	55,212	3,979	59,191
<b>Net cash provided by operating activities</b>	<b>\$ 1,041,702</b>	<b>\$ 71,868</b>	<b>\$ 1,113,570</b>

*See independent auditors' report.*